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LOCAL AUDIT & FINANCE DIV.

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Sidney	County Montcalm
Audit Date March 31, 2005	Opinion Date June 27, 2005	Date Accountant Report Submitted to State: August 25, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature <i>Campbell, Kusterer & Co. P.C.</i>			

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 27, 2005

To the Township Board
Township of Sidney
Montcalm County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Sidney, Montcalm County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Sidney's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sidney, Montcalm County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Sidney covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$514,595.91 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$259,733.30 from governmental activities. Governmental activities had a \$8,018.18 decrease in net assets with major road improvements of \$95,597.15.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Current Tax Collection Fund.

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year we made park improvements totaling \$15,000.00. The rest of the expenses incurred were normal operating expenses.

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$95,597.15.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$2,356.80 in capital assets.

The Township's governmental activities paid \$0 on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents 66% of our income. We continue to grow at a 5% rate in taxable values with little demand for infrastructure, except good roads and water, where available.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at P.O. Box 141, Sidney, Michigan 48885 or at 989-328-3535.

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	412 027 02
Taxes receivable	7 062 30
Accounts receivable	3 000 00
Special assessments receivable	<u>19 000 08</u>
Total Current Assets	<u>441 089 40</u>
NON-CURRENT ASSETS:	
Capital Assets	174 184 80
Less: Accumulated Depreciation	<u>(81 678 21)</u>
Total Non-current Assets	<u>92 506 59</u>
TOTAL ASSETS	<u>533 595 99</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Deferred revenue	<u>19 000 08</u>
Total Current Liabilities	<u>19 000 08</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>19 000 08</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	92 506 59
Unrestricted	<u>422 089 32</u>
Total Net Assets	<u>514 595 91</u>
TOTAL LIABILITIES AND NET ASSETS	<u>533 595 99</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	31 891 11	-	(31 891 11)
General government	68 168 64	16 104 73	(52 063 91)
Public safety	50 944 35	2 305 98	(48 638 37)
Public works	96 616 66	14 068 16	(82 548 50)
Culture and recreation	17 682 72	-	(17 682 72)
Other	2 448 00	-	(2 448 00)
Total Governmental Activities	<u>267 751 48</u>	<u>32 478 87</u>	<u>(235 272 61)</u>
General Revenues:			
Property taxes			43 386 69
State revenue sharing			165 693 90
Interest			5 741 02
Miscellaneous			<u>12 432 82</u>
Total General Revenues			<u>227 254 43</u>
Change in net assets			(8 018 18)
Net assets, beginning of year			<u>522 614 09</u>
Net Assets, End of Year			<u>514 595 91</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

	<u>General</u>
<u>Assets</u>	
Cash in bank	412 019 24
Taxes receivable	7 062 30
Special assessments receivable	19 000 08
Due from other funds	<u>3 007 78</u>
Total Assets	<u>441 089 40</u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Deferred revenue	<u>19 000 08</u>
Total liabilities	<u>19 000 08</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>422 089 32</u>
Total fund equity	<u>422 089 32</u>
Total Liabilities and Fund Equity	<u>441 089 40</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 422 089 32

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	174 184 80
Accumulated depreciation	<u>(81 678 21)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 514 595 91

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>
Revenues:	
Property taxes	43 386 69
Special assessments	14 068 16
Licenses and permits	2 305 98
State revenue sharing	165 693 90
Charges for services – PTAF	16 104 73
Interest	5 741 02
Miscellaneous	<u>12 432 82</u>
Total revenues	<u>259 733 30</u>
Expenditures:	
Legislative:	
Township Board	31 891 11
General government:	
Supervisor	8 013 27
Elections	3 237 86
Assessor	18 484 42
Clerk	10 241 56
Board of Review	948 00
Treasurer	16 482 93
Building and grounds	5 126 79
Cemetery	3 522 75
Public safety:	
Police protection	21 666 60
Liquor law enforcement	650 00
Fire protection	23 700 00
Planning and zoning	4 927 75
Public works:	
Highways and streets	95 597 15
Drains	1 019 51
Culture and recreation:	
Parks and recreation	17 006 79
Other functions:	
Payroll taxes	2 448 00
Capital outlay	<u>2 356 80</u>
Total expenditures	<u>267 321 29</u>
Excess (deficiency) of revenues over expenditures	(7 587 99)
Fund balance, April 1	<u>429 677 31</u>
Fund Balance, March 31	<u><u>422 089 32</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES -- TOTAL GOVERNMENTAL FUNDS (7 587 99)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(2 786 99)
Capital Outlay	<u>2 356 80</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (8 018 18)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Sidney, Montcalm County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Sidney. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was .8124 mills, and the taxable value was \$53,317,048.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years
Furniture and equipment	10-30 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$92,506.59.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 2 – Budgets and Budgetary Accounting (continued)

3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>412,027.02</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>212 028 99</u>
Total Deposits	<u>412 028 99</u>

The Township of Sidney did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land	29 550 00	-	-	29 550 00
Buildings	79 000 00	-	-	79 000 00
Equipment	<u>63 278 00</u>	<u>2 356 80</u>	-	<u>65 634 80</u>
Total	171 828 00	2 356 80	-	174 184 80
Accumulated Depreciation	<u>(78 891 22)</u>	<u>(2 786 99)</u>	-	<u>(81 678 21)</u>
Net Capital Assets	<u>92 936 78</u>	<u>(430 19)</u>	-	<u>92 506 59</u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Sidney does not issue building permits. Building permits are issued by the County of Montcalm.

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>3 007 78</u>	Current Tax Collection	<u>3 007 78</u>
Total	<u>3 007 78</u>	Total	<u>3 007 78</u>

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	36 604 42	36 604 42	43 386 69	6 782 27
Special assessments	13 883 63	13 883 63	14 068 16	184 53
Licenses and permits	2 295 00	2 295 00	2 305 98	10 98
State revenue sharing	167 636 20	167 636 20	165 693 90	(1 942 30)
Charges for services:				
Property tax administration	13 257 92	13 257 92	16 104 73	2 846 81
Interest	8 000 00	8 000 00	5 741 02	(2 258 98)
Miscellaneous	<u>7 203 22</u>	<u>7 203 22</u>	<u>12 432 82</u>	<u>5 229 60</u>
Total revenues	<u>248 880 39</u>	<u>248 880 39</u>	<u>259 733 30</u>	<u>10 852 91</u>
Expenditures:				
Legislative:				
Township Board	60 000 00	58 500 00	31 891 11	(26 608 89)
General government:				
Supervisor	8 500 00	8 500 00	8 013 27	(486 73)
Elections	12 000 00	9 000 00	3 237 86	(5 762 14)
Assessor	25 000 00	25 000 00	18 484 42	(6 515 58)
Clerk	11 000 00	11 000 00	10 241 56	(758 44)
Board of Review	1 500 00	1 500 00	948 00	(552 00)
Treasurer	15 000 00	17 000 00	16 482 93	(517 07)
Building and grounds	20 000 00	20 000 00	5 126 79	(14 873 21)
Cemetery	10 000 00	10 000 00	3 522 75	(6 477 25)
Public safety:				
Police protection	30 000 00	30 000 00	21 666 60	(8 333 40)
Liquor law enforcement	650 00	650 00	650 00	-
Fire protection	30 000 00	30 000 00	23 700 00	(6 300 00)
Planning and zoning	9 500 00	9 500 00	4 927 75	(4 572 25)
Public works:				
Highways and streets	125 000 00	117 000 00	95 597 15	(21 402 85)
Drains	5 000 00	5 000 00	1 019 51	(3 980 49)
Culture and recreation:				
Parks and recreation	10 000 00	17 500 00	17 006 79	(493 21)
Other functions:				
Payroll taxes	5 500 00	5 500 00	2 448 00	(3 052 00)
Capital outlay	<u>-</u>	<u>3 000 00</u>	<u>2 356 80</u>	<u>(643 20)</u>
Total expenditures	<u>378 650 00</u>	<u>378 650 00</u>	<u>267 321 29</u>	<u>(111 328 71)</u>
Excess (deficiency) of revenues over expenditures	(129 769 61)	(129 769 61)	(7 587 99)	122 181 62
Fund balance, April 1	<u>421 509 23</u>	<u>421 509 23</u>	<u>429 677 31</u>	<u>8 168 08</u>
Fund Balance, March 31	<u>291 739 62</u>	<u>291 739 62</u>	<u>422 089 32</u>	<u>130 349 70</u>

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Township Board:	
Wages	4 850 00
Professional services	11 440 57
Insurance	4 315 00
Printing	960 44
Supplies	3 414 81
Telephone	1 132 27
Miscellaneous	5 778 02
	<u>31 891 11</u>
Supervisor:	
Salary	8 000 00
Supplies	13 27
	<u>8 013 27</u>
Elections:	
Wages	2 410 00
Supplies	827 86
	<u>3 237 86</u>
Assessor:	
Contracted services	18 427 92
Supplies	56 50
	<u>18 484 42</u>
Clerk:	
Salary – Clerk	10 000 00
Salary – Deputy clerk	130 00
Supplies	111 56
	<u>10 241 56</u>
Board of Review:	
Wages	576 00
Miscellaneous	372 00
	<u>948 00</u>
Treasurer:	
Salary – Treasurer	15 583 30
Salary – Deputy treasurer	830 00
Supplies	69 63
	<u>16 482 93</u>
Building and grounds:	
Wages	900 00
Contracted services	1 243 50
Utilities	2 135 67
Supplies	631 21
Repairs and maintenance	216 41
	<u>5 126 79</u>
Cemetery:	
Contracted services	2 533 75
Utilities	79 00
Miscellaneous	910 00
	<u>3 522 75</u>
Police protection:	
Contracted services	<u>21 666 60</u>
Liquor law enforcement:	
Wages	<u>650 00</u>

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Fire protection:	
Contracted services	<u>23 700 00</u>
Planning and zoning:	
Contracted services	4 211 60
Miscellaneous	<u>716 15</u>
	<u>4 927 75</u>
Highways and streets:	
Contracted services	94 229 18
Street lights	<u>1 367 97</u>
	<u>95 597 15</u>
Drains:	
Contracted services	<u>1 019 51</u>
Parks and recreation:	
Wages	970 00
Contracted services	2 871 25
Utilities	231 00
Supplies	7 860 58
Miscellaneous	<u>5 073 96</u>
	<u>17 006 79</u>
Payroll taxes	<u>2 448 00</u>
Capital outlay	<u>2 356 80</u>
Total Expenditures	<u><u>267 321 29</u></u>

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>Assets</u>				
Cash in Bank	<u>4 92</u>	<u>1 504 342 26</u>	<u>1 504 339 40</u>	<u>7 78</u>
<u>Liabilities</u>				
Due to General Fund	4 92	68 411 99	65 409 13	3 007 78
Due to (from) other units	<u>-</u>	<u>1 435 930 27</u>	<u>1 438 930 27</u>	<u>(3 000 00)</u>
Total Liabilities	<u>4 92</u>	<u>1 504 342 26</u>	<u>1 504 339 40</u>	<u>7 78</u>

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2005

Cash in bank – beginning of year	<u>4 92</u>
Cash receipts:	
Property taxes	1 489 580 57
Administration fees	14 641 98
Interest	<u>119 71</u>
Total cash receipts	<u>1 504 342 26</u>
Total beginning balance and cash receipts	<u>1 504 347 18</u>
Disbursements:	
Township General Fund	65 409 13
Montcalm County	573 846 68
Montcalm Area Intermediate School District	179 295 80
Central Montcalm School District	518 645 46
Greenville Public School	24 445 23
Montcalm Community College	132 328 42
Refunds	<u>10 368 68</u>
Total disbursements	<u>1 504 339 40</u>
Cash in Bank – End of Year	<u><u>7 78</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 27, 2005

To the Township Board
Township of Sidney
Montcalm County, Michigan

We have audited the financial statements of the Township of Sidney for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Sidney in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Sidney
Montcalm County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Sidney began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Sidney
Montcalm County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants